

StarTribune.com**Cut student loans? It's a big debate****Rob Hotakainen and Aaron Blake, Star Tribune Washington Bureau Correspondents**

November 13, 2005

WASHINGTON - Congress is sparring over a Republican plan to cut spending on student loans, a proposal that could lead to sticker shock for thousands of students in Minnesota and across the nation.

If approved, the plan would reduce spending on student aid by \$14.5 billion over the next five years. But the proposed cut, which may be voted on this week, is creating deep division on Capitol Hill, including in Minnesota's delegation.

Critics of the plan, which comes as students are relying more on loans, say many students could not afford college if it wins approval.

But Rep. Gil Gutknecht, R-Minn., said the real problem is with schools imposing double-digit tuition increases.

"I am empathetic to students," he said, "but we can't keep up with that."

Democrats say if the plan passes, a typical student would be forced to pay an additional \$5,800 for college.

"These cuts are wrong, they are shortsighted and they are immoral," said Minnesota Democratic Rep. Betty McCollum, a member of the House Education Committee.

At the University of Minnesota, the average amount of federal loans for a graduating student has increased 20 percent in the past three years to \$14,049. At the same time, the percentage of graduating students with federal loans increased from 48 percent in 2002 to nearly 59 percent this year.

According to national statistics from the College Board, the average full-time student in the 2004-05 academic year received \$4,916 in federal loan aid, compared with \$1,946 20 years ago.

The GOP plan would repeal a 6.8 percent cap on interest rates for federal student loans, set to begin on July 1, while cutting federal subsidies to lenders. Proponents say that taxpayers would benefit by reducing bureaucratic waste, but opponents say lenders would respond by passing the costs on to students.

Though the plan has passed the House Education Committee, moderate Republicans wanted nothing to do with it last week. They scored a rare victory when they bolted from their leadership and forced the House to delay a vote on a proposed \$51 billion package of cuts that included the student-aid reductions and other cuts to food stamps and Medicare.

Rep. Jim Ramstad, R-Minn., said the bill would cost University of Minnesota students \$6.3 million next year.

"Do we need to reduce federal spending? Yes, of course," Ramstad said. "Do we need to take it out of hides of poor people and struggling students? No. I think there's a better way. And so let's hope that our leadership gets that message."

At first, deficit-weary conservatives such as Gutknecht had the upper hand in budget talks when they demanded less spending. But the fracture in the Republican ranks showed the difficulty the party will face as it tries to finalize a budget plan for 2006. For Republicans, the issue is complicated by President Bush's declining popularity, anxiety over next year's elections and an equally contentious debate over a plan to cut taxes by \$70 billion.

Rep. John Boehner, R-Ohio, chairman of the Education Committee, said the plan would place higher education programs on a stabler financial foundation. In an attempt to improve efficiency, he said, the plan would reduce subsidies to lenders, stabilize interest-rate structures, make student-aid administration more accountable and increase risk-sharing to benefit taxpayers.

Reactions to the bill differ, experts say, because no one's sure exactly how lenders would respond to the loss of subsidies.

"We really don't know how many of the dollars will be dollars out of the pockets of students and how many will be dollars out of the pockets of lenders," said Sandy Baum, professor of economics at Skidmore College.

Jason Baskin, chairman of College Republicans at the University of Minnesota, said he wishes that Congress would make cuts in "pork-barrel spending" rather than cutting aid for college students, but he said the nation can't continue racking up big deficits.

"Everybody needs to bear the costs of cuts," he said. "But I think there are areas other than education that probably would have a less damaging impact."

C.J. Griffiths, student body president at Carleton College in Northfield, Minn., said federal loans pay for about a third of his education. To pay tuition, which costs \$32,460 this year, he said, he's doing a work-study program 10 hours a week and decided to live off campus to save money on room and board. He cuts coupons and rides his bike.

"If education is so vitally important to all of us and competing globally, I don't understand how we could even consider cutting financial aid," Griffiths said.

Washington Bureau Correspondent Kevin Diaz contributed to this report.

rhokainen@startribune.com • 202-383-0009 ablake@startribune.com • 202-383-0015

Copyright 2005 Star Tribune. All rights reserved